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# Identity

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## 33 Identity

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Economics has only recently begun to employ and analyse the concept of 'identity' as applied to economic agents, and substantial differences still exist regarding its meaning and significance. The two main forms of the concept are 'social identity' and 'personal identity'. Social identity concerns an individual's identification with others, and personal identity concerns an individual's identity apart from others or their identity as a single individual through time. Social identity theory has been an important subject of investigation in social psychology since the 1970s (see Brown 2000), whereas personal identity has been investigated by philosophers in connection with the concept of the self throughout the history of the subject, especially in post-war analytic philosophy (see Martin and Barresi 2003).

Though social psychology is almost exclusively concerned with social identity, and philosophy is almost exclusively concerned with personal identity, the two are clearly related. When we ask who it is that has many social identities, we naturally raise the question of personal identity; when we ask how a single individual can have many selves over time, we often associate an individual's many selves with their different social identities. Nonetheless, social psychology and philosophy maintain a fairly sharp division of labour regarding the two forms, which has created problems for its adoption in economics. Indeed, economics has generally ignored the relation between the two concepts, often treating instead social identity *or* personal identity, whereas both forms can be seen to be part of what is involved in any complete account of the individual economic agent. Thus, assuming that economics will continue to emphasize individual economic behaviour in the future, the task it faces is to show how the two forms of the concept can be brought together in a single account of individual identity.

### **Two contributions to identity analysis in economics**

The first influential appearance of the identity concept in economics is attributed to Amartya Sen, who introduced it in the form of social identity. Sen (1977) distinguished between sympathy and commitment, and later argued the importance of commitments made to social groups, where these are understood in terms of '*identifying* oneself with others of a particular group' (Sen 1999, p. 2, emphasis in the original). At the same time, in his critique of communitarian thinking, Sen emphasized that one's social identities are not something that one discovers, and about which one is powerless to decide, but something one may reason about and evaluate.

Indeed, individuals are generally able to engage in a process of reasoning and self-scrutiny, and this creates the 'problem' of 'the "identity" of a person, that is, how the person sees himself or herself', both as a whole and more specifically in regard to identification with others in social groups (Sen 2002, p. 215). Thus Sen recognizes that individuals having various social identities are somehow bound up with their having personal identities. He does not go further to explain just how individuals' social identities and

personal identities are related, though it can be argued in connection with his capability framework that being able to engage in a process of reasoning and self-scrutiny is a special kind of capability for having a personal identity (Davis 2007).

In contrast to Sen's strategy of expanding the standard choice framework, Akerlof and Kranton (2000) introduced the concept of identity as social identity directly into a neoclassical utility maximizing framework (see Davis 2006). Individuals' utility depends on self-image, and self-image depends on how closely individuals' own characteristics correspond to established social categories (for example, race, gender, religion). When individuals' interactions with others threaten this correspondence – because they or others do not behave as their social categories prescribe – this creates anxiety which they seek to minimize, and this maximizes utility. Akerlof and Kranton draw explicitly on social psychology's 'social identity approach' and 'self-categorization theory' associated with the work of Tajfel (1972) and Turner (1985). Akerlof and Kranton do not employ the concept of personal identity, but for them, the utility function effectively constitutes an individual's personal identity, since in the standard framework utility functions identify individuals in terms of their own preferences. Nonetheless, there is little in the Akerlof-Kranton framework to explain how individuals' social identities and personal identities are related, since the analysis only explains how individuals maximize utility by making choices with respect to particular social identities, and not how they make choices across their different social identities. That is, Akerlof and Kranton essentially re-encounter the old, unresolved multiple selves problem associated with earlier work by Schelling (for example, 1984) and others (see Davis 2003, Ch. 4).

For Sen and also for Akerlof and Kranton, then, the main theoretical issue concerns how we are to understand individuals behaviourally in terms of their having both personal identities and social identities. But that individuals have both personal identities and social identities also raises important ethical and economic policy issues. Three such issues are (i) the normative significance of individuals having personal identities, (ii) the normative tension between personal identity and social identity, and (iii) the consequences for economic policy of taking personal identity and social identity seriously.

### **The normative significance of individuals having personal identities**

Having a personal identity means that one somehow remains the same person despite change. From the point of view of the individual, this involves maintaining a unity to one's life whereby one is reasonably consistent in one's choices rather than constantly changing one's values and goals. Frankfurt (1971) saw this as a matter of having personal integrity, and being able to regulate first-order desires by higher-order desires, the latter reflecting the individual's deeper goals, values and commitments. But personal integrity is then close to moral integrity, as emphasized by Williams (1973, 1981) in understanding personal integrity as resulting from individuals' identity-conferring commitments to others and the values in which one believes. Indeed, moral integrity seems to presuppose personal integrity in that individuals need to maintain a unity to themselves throughout their lives in order to maintain consistent moral views and be moral persons.

An individual thus understood, however, is more than just a consistent moral actor. Being a consistent moral actor invests the individual with the status of being a moral being. Being a moral being, in turn, involves having moral respect for others and for oneself as well. This may be put in terms of the idea that the normative correlate of the

notion of personal identity is the idea of individual dignity. Moral individuals thus have dignity by virtue of their consistent treatment of others and themselves as moral beings. Thus, the normative significance of individuals having personal identities is that they are thereby invested as individuals with moral importance, where this is understandable as the idea of individual dignity as a moral concept.

This concept, it should be noted, is altogether missing in standard economics, which treats individuals in a fully positive manner, and which restricts normative reasoning to Pareto judgements. Pareto judgements only require some improvement in preference satisfaction. But this ignores the individual as both a moral actor and the subject of moral action – the idea of individual dignity as a moral concern. The reason for this lies in the specific conception of the individual in standard economics as a preference (or utility) maximizer. This preference conception of the individual is unable to explain how individuals sustain personal identities (Davis 2003, Ch. 3). Thus, the standard preference conception of the individual is also unable to explain individuals as having dignity or moral value in and of themselves. This, in turn, has the effect of restricting the scope of normative reasoning in economics to Pareto judgements.

Enlarging the scope of normative reasoning in economics thus requires a broader conception of the individual as an economic and moral being. Avishai Margalit (1996) achieves this by drawing the consequences of there being a social basis for assuming individuals are objects of dignity. First, individuals have self-respect when society judges them to be worthy of being treated as beings with dignity. Having dignity with self-respect leads individuals to treat others morally and also to expect to be treated morally by others. Second, then, when does self-respect acquire a social basis, or when does society judge individuals as worthy of being treated with dignity? Following Immanuel Kant, Margalit answers that it is when society adopts the idea that individual human beings have human rights.

Similarly, the Universal Declaration of Human Rights (UN 1948) links dignity and human rights. Thus, in normative terms, an enlarged conception of the individual in economics can be grounded in individual dignity, self-respect and human rights. This goes considerably beyond the Pareto-based reasoning of standard economics, and helps to clarify the importance of the concept of personal identity in understanding individual economic agents.

### **Normative tensions between individuals having personal identities and social identities**

Sen recently posed a set of questions concerning conflicting moral commitments that individuals may find they have when they consider their commitments and responsibilities to social groups of which they are members and to themselves. One issue concerns the basis for one's moral judgements. It is often argued that 'a person's moral judgments must be based on the values and norms of the community to which the person belongs, [and] also that these judgments can be ethically assessed *only within* those values and norms' (Sen 2006, pp. 33–4). It is certainly true that values and norms which people rely on to make moral judgements have social foundations. As Sen says, 'one cannot reason from nowhere' (ibid., p. 35). But, he adds, while our cultural attitudes and social beliefs may influence our choices, it goes too far to say that they determine them. Indeed, making moral judgements involves exercising practical reason rather than simply reciting the claims of others. Moreover, we are members of many social groups, so we often



have conflicting sets of values and norms. This also makes it necessary for us to exercise practical reason in making moral judgements.

One issue here, then, is how individuals balance the conflicting claims of their different social identities. Family and workplace are two social identities with their own respective goals and time requirements. But because these two domains are so different in nature, it is not easy to decide how to compare their competing demands. In families, values and norms are tied to kin and household relationships that emphasize caring and emotional connection. In the workplace, values and norms are often tied to an impersonal meeting of one's assigned responsibilities and contributions to one's employer's commercial success. Thus, when conflicting claims arise, individuals find no common values and norms with which to adjudicate those claims. The problem is that one's social identities are usually highly compartmentalized.

Another issue involves the tension between individuals' needs and concerns and those of the social group(s) to which they belong. The former applies to the individual apart from others and the latter applies to the individual identifying with others. To go back and forth between these two vantage points often involves a substantial switch in perspective, since thinking of oneself as an independent individual and as a member of a group are quite different conditions. That they are often so incomparable means that individuals may not be able to decide what they owe themselves and the groups of which they are members.

Sen offers one way of addressing these issues in his emphasis on individuals being able to engage in reasoning and self-scrutiny. As he puts it, '[a] person is not only an entity that can enjoy one's own consumption, experience, and appreciate one's welfare, and have one's goals, but also an entity that can examine one's values and objectives and choose in the light of those values and objectives' (Sen 2002, p. 36). That is, individuals are reflective beings able to deliberate about their options and themselves rather than simply be impelled by their tastes to make certain 'choices'. Emphasizing individuals' capacity for deliberation may not provide a predictable basis for explaining how individuals solve problems of conflicting moral demands upon themselves, but it may offer a way of explaining how they address problematic choices – a subject which has gained increasing attention under the label of 'indeterminate rankings' or how individuals rank options that embody different values (compare Chang 1997).

### **Consequences for economic policy of taking personal identity and social identity seriously**

Taking personal identity seriously requires changing the standard understanding of the individual economic agent. The standard view is short term in orientation, in that it focuses on individuals in relation to their decision-making at a certain point in time, and it does little to assess how the results of this decision-making influence their future decision-making. When individuals are assumed to have personal identities, they seek to sustain an identity through time that they understand prospectively – in terms of their goals, commitments and plans – and retrospectively – in terms of their evaluations of past outcomes and decisions in light of past intentions.

This long-term view of the individual is both more complex than the standard point-in-time view of the individual (involving as it does phenomena such as regret, value revision, feedback relationships and uncertainty) and also implies a higher degree of indeterminacy in predicted behaviour. Economic policy targeting individuals on this basis, then, needs to be more heuristic in nature and subject to multi-valued evaluation criteria.

Consider, for example, investment in training and education. According to the standard view, individuals make human capital investment decisions by comparing prospective benefits and opportunity costs. A long-term, personal identity understanding of the individual in the simplest before-and-after formulation looks at decision-making at time  $t_2$  as an adjustment upon decision-making at time  $t_1$ , with the knowledge that that at  $t_1$  was taken in anticipation of this future adjustment. One such model for training and education choices thus involves individuals making choices at  $t_1$  that give a range of possible outcomes, as when one initially selects a general programme, so as to allow a comparison of further possible pathways at  $t_2$ . But this comparison when it occurs includes a retrospective component in that what possible outcomes actually materialize is unknown until  $t_2$ , so that  $t_1$  is also re-evaluated at  $t_2$ . This interaction of prospective and retrospective thinking over many before-and-after episodes creates an identity for the decision-maker which is partly the result of the individual's decision and partly the result of the effects of the interactions between those decisions and the rest of the world.

Many individual lives exhibit coherence across their histories of decision-making, both from a personal perspective and that of others. But this is not the case for many others, whose life histories appear discontinuous and fragmented. One cannot conclude, however, that the former state of affairs is preferable to the latter, since well-being can be high with both continuity and discontinuity in life experience. With respect to the education and training example, increasingly focused pathways and pathways that involve significant reversals and redirections are both valuable. Thus, economic policy that takes personal identity seriously needs to accommodate both types of pathways. This conclusion runs counter to the standard, point-in-time human capital model which involves a highly determinate comparison of prospective benefits and opportunity costs. But that comparison is not a reliable basis for policy if the more complex account of individual decision-making is employed, and a higher degree of uncertainty regarding interaction of prospective and retrospective thinking is assumed.

Taking social identity seriously means recognizing that social groups play a role in determining social well-being, and that economic policy needs to target the well-being of social groups as well as the well-being of individuals. According to the standard view, social well-being is simply the aggregated well-being of all individuals in a society, and individuals are taken to be socially isolated. However, individuals are not socially isolated in that they depend on the many social groups to which they belong. For example, individuals live in households, and households permit economies that enhance individual well-being in ways not available to independent individuals. Thus economic policies that target households offer an indirect avenue for promoting individual well-being additional to policies that directly target individuals. This argument applies to all social groups that provide economic advantages to individuals, enhancing their well-being, such as local communities and neighbourhoods, racial and ethnic groups, gender groups, religious groups, and the like.

Designing policies that target social groups requires empirical analysis and evaluation of possible additional channels for promoting individual well-being, in order to determine effective policy instruments and the magnitudes with which they could be applied. For example, delivery of health-care services to individuals in communities where cultural values influence the use of such services requires that delivery be designed sensitive to those values, and set at levels consistent with what those communities can accommodate.

However, policy design may be complicated by the overlapping character of social groups and by individuals' memberships in different social groups. Two social groups may be strongly interconnected, but many of their members may also belong to other social groups to which these two groups are not connected.

In conclusion, the relatively recent introduction of the concept of identity into economics has left unaddressed important theoretical questions concerning its integration and significance. But the ethical and economic policy issues discussed here demonstrate the practical significance the concept of identity has in both of its main forms: social identity and personal identity. This practical significance is likely to motivate progress in explaining the role of identity in economics. As there are many ways of understanding social identity and personal identity, clearly much remains to be done to integrate the concept's theoretical and practical dimensions.

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**See also the entries on:** Dignity; Individualism; Amartya Sen; Social economics.